

## Message Text

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PAGE 01     NAIROB 14229 171450Z  
ACTION EB-07

INFO OCT-01 AF-08 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00  
DODE-00 DOTE-00 INR-07 NSAE-00 CIEP-01 FAA-00 TRSE-00  
L-03 AID-05 XMB-02 OMB-01 IGA-02 /051 W  
----- 044700 /47

P R 171345Z DEC 76  
FM AMEMBASSY NAIROBI  
TO SECSTATE WASHDC PRIORITY 4854  
INFO AMEMBASSY DAR ES SALAAM  
AMEMBASSY MOGADISCIO  
AMEMBASSY KHARTOUM  
AMEMBASSY KIGALI  
AMEMBASSY BUJUMBURA  
AMEMBASSY LUSAKA  
AMEMBASSY VICTORIA  
AMEMBASSY ADDIS ABABA  
AMEMBASSY LONDON  
AMEMBASSY MONROVIA  
AMCONSUL ZANZIBAR

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MONROVIA FOR FAA

E.O. 11652: N/A  
TAGS: EAIR, KE  
SUBJECT: TEMPORARY RELIEF FOR EAST AFRICAN AIRWAYS

REF: NAIROBI 13943 (NOTAL)

1. SUMMARY: IN TWO-DAY MEETING OF EAC FINANCE AND  
COMMUNICATIONS COUNCIL, KENYAN, TANZANIAN, AND UGANDAN  
DELEGATIONS TUDIED WAYS OF ALLEVIATING EAST AFRICAN AIRWAYS'  
CHRONIC FINANCIAL CRISES. PARTNER STATES REPORTEDLY  
AGREED TO EFFECT INTERSTATE TRANSFERS MORE EXPEDITIOUSLY,  
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PAGE 02     NAIROB 14229 171450Z

AND EAA AUTHORITIES PROMISED TO SUPERVISE CASH FLOW MORE  
CLOSELY. EXTERNAL DEBTS OF THREE OTHER EAC CORPORATIONS  
WILL TOTAL 28 MILLION DOLLARS IN 1977 AND WILL BE  
FUNDED ON REGIONAL BASIS. END SUMMARY.

2. EAST AFRICAN AIRWAYS' LATEST LIQUIDITY CRISIS APPEARS

TO HAVE BEEN SOLVED BY A LAST-MINUTE AGREEMENT ON INTER-STATE TRANSFERS REACHED IN A TWO-DAY MEETING OF THE EAST AFRICAN COMMUNITY'S FINANCE AND COMMUNICATIONS COUNCIL. ACCORDING TO NEWS LEAKS FOLLOWING THE COUNCIL'S DEC 15 AND 16 SESSIONS, COMMUNITY REPS REAFFIRMED MUTUAL INTEREST IN KEEPING TRI-STATE AIRLINE ALIVE. OF MORE IMMEDIATE IMPORTANCE, UGANDA AND TANZANIAN DELEGATES PLEDGED TO REMIT FUNDS ACCUMULATED IN KAMPALA AND DAR ES SALAAM ACCOUNTS TO NAIROBI HEADQUARTERS. NEWSPAPER REPORTED TOTAL AMOUNT TO BE NEARLY 55 MILLION SHILLINGS (6.56 MILLION DOLLARS).

3. ON A SECOND AGENDA ITEM, THE COMMUNITY COUNCIL ALSO REVIEWED EXTERNAL PAYMENT OBLIGATIONS OF EAC CORPORATIONS FOR COMING YEAR, CONFIRMING THAT PARTNER STATES WOULD JOINTLY MEET ALL DEBTS OVER NEXT THREE YEARS. ACCORDING TO NEWSPAPER SUMMARY OF COUNCIL'S COMMUNIQUE, EXTERNAL PAYMENTS FOR RAILWAYS, HARBORS, AND POST/TELECOMMUNICATIONS WILL AMOUNT TO ABOUT 28 MILLION DOLLARS IN 1977. THIS SUM INCLUDES 12.75 MILLION DOLLARS ON THE RAILWAYS ACCOUNT, 6.94 MILLION DOLLARS FOR HARBORS, AND 8.30 MILLION DOLLARS FOR P AND T.

4. COMMENT: LATEST ACCORD, IF HONORED BY ALL THREE PARTIES, MAY KEEP EAA FLYING FOR NEXT FEW MONTHS; HOWEVER, INTERSTATE TRANSFERS SEEM TO BE ONLY ONE FACTOR CONTRIBUTING TO AIRLINES' FINANCIAL CHAOS. INTERNAL HEADQUARTERS MANIPULATION DIVERTED DAR AND KAMPALA REMITTANCES INTO OBSCURE ACCOUNTS (OR EVEN OFFICE SAFES) WHICH FAILED TO REDUCE PRIORITY DEBTS SUCH AS SALARIES, LIMITED OFFICIAL USE

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PAGE 03     NAIROB 14229 171450Z

FUEL, AND COMMERCIAL BANK OVERDRAFTS. THIS EXPLAINED TO LARGE EXTENT THE INDIGNATION OF TANZANIAN AND UGANDAN REPS WHO INSISTED THAT FUNDS HAD BEEN FORWARDED TO NAIROBI AS REQUIRED. COUNCIL PARTICIPANTS AGREED TO APPOINT EAA AUTHORITIES TO SUPERVISE FLOW OF INCOMING TRANSFERS TO ASSURE THAT CURRENT CRISIS IS PROMPTLY ALLEVIATED.

5. LATEST TEMPEST HAS, NEVERTHELESS, RAISED SERIOUS DOUBTS ABOUT KENYA'S LONG-TERM COMMITMENT TO A REGIONAL AIRLINES. ECONOMICALLY, THE UGANDAN AND TANZANIAN NETWORKS ARE SUBSIDIZED BY MORE LUCRATIVE INTERNATIONAL ROUTES ORIGINATING AND TERMINATING IN NAIROBI. UGANDA HAS ALREADY INITIATED DOMESTIC SERVICE WITH ITS OWN AIRLINE, ACCEPTED EAA FLIGHTS INTO KAMPALA ON AN ERRATIC SCHEDULE. INTERNATIONAL AND DOMESTIC CONNECTIONS WITH TANZANIA REGULARLY OPERATE UNDER CAPACITY, DESPITE TANZANIA'S INSISTENCE THAT VC-10 SERVICE BE MAINTAINED

TO ARUSHA. ALL AIRCRAFT SERVICING -- EXCEPT FOR MINOR EMERGENCY REPAIRS -- IS DONE IN NAIROBI. ACCORDING TO ONE EXPATRIATE EMPLOYEE, PLANES ARE NOT NORMALLY LEFT OVERNIGHT IN UGANDA OR TANZANIA, YET SUCH PRECAUTIONS DO NOT ELIMINATE ROUTINE RANSACKING OF AIRCRAFT FOOD STORES AND PAPER SUPPLIES DURING DAYTIME STOPS. THESE COMMODITIES ARE PRESUMABLY SOLD ON LOCAL MARKET.

6. IN SPITE OF FINANCIAL PROBLEMS, EAA IS REPORTEDLY ADHERING TO STANDARD MAINTENANCE SCHEDULES, UNDOUBTEDLY FUNDING THIS OUT OF KENYAN ACCOUNTS REPLENISHED BY INTERNATIONAL REVENUE. EXPATRIATE ENGINEERING AND PILOT STAFFS ARE APPARENTLY PROMPTLY PAID, AGAIN FROM HEAD-QUARTERS FUNDS. THERE IS SOME SUSPICION THAT GOK AND PRIVATE KENYAN BUSINESS INTERESTS CONTRIBUTED TO PRESS INFLAMMATION OF LATEST DISPUTE AND WOULD NOT, IN ANY CASE, BE ADVERSE TO CORPORATION'S DISINTEGRATION. OUTCOME OF COUNCIL MEETING, THOUGH, IMPLIES THAT, FOR THE MOMENT, LIMITED OFFICIAL USE

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PAGE 04     NAIROB 14229 171450Z

KENYA WILL COOPERATE IN KEEPING IN LIMPING EAA WITHIN THE COMMUNITY.

DECON 12/17/77.  
MARSHALL

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FINANCIAL CRISIS, ECONOMIC COOPERATION, SUPPLEMENTAL AIRLINES, MEETINGS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 17 DEC 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ElyME  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976NAIROB14229  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760464-0998  
**From:** NAIROBI  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19761233/aaaabcij.tel  
**Line Count:** 144  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 NAIROBI 13943  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ElyME  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 19 MAY 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <19 MAY 2004 by BoyleJA>; APPROVED <15 SEP 2004 by ElyME>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** TEMPORARY RELIEF FOR EAST AFRICAN AIRWAYS  
**TAGS:** EAIR, KE, TZ, UG, EAST AFRICAN AIRWAYS  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006